

A SUPER IDEA

With the superannuation information agency SuperRatings predicting super funds to return their biggest losses since records began, it's little surprise that there's been a flood of people taking advantage of new super rules to invest in property as an alternative.

"Before, you had to buy a property outright for the super fund," says Peter Kelaher, managing director of PK Property Search & Negotiators. "But now a self-managed super fund can borrow to purchase an asset, anywhere from 60 per cent to 75 per cent of the value of the property."

The change was brought in by the Federal Government in September last year and banks, accountants and financial advisers have taken a while to come to grips with all the implications. Now, however, with PK Property running a series of accountants' seminars around Australia on the new rules, there's been a rush of people buying property through their super funds.

Accountant Doug Cheetham says he thinks it's such a wise move, he's done it, too. "I think it's a very good scheme for certain people," he says.

The advantages are that contributions to super are taxed at only 15 per cent, leaving 85 cents in each dollar to go towards a property, capital gains tax is potentially nil if the property is sold in the pension phase and it can be leased back to a business being operated by the buyer.

A person may also effectively receive a tax deduction, via salary sacrifice, for loan repayments on the principal, which can't normally be done.

But anyone considering buying an investment property with their super should talk to an accountant or financial adviser before they start the process, says accountant Peter Johnson, who advises on the tax implications of the scheme. "You can do comparisons from a

financial point of view," he says. "But you have to be careful. A financial planner might be loath to tell you to go into property because they mightn't get commission on the purchase in the same way they might for shares."

Kelaher says he's had a lot of buyers wanting to take advantage of the new legislation.

"A lot of people have been burnt by the sharemarket and see property as a much more reliable safety net," he says.

"People are now looking at building property portfolios as a nest egg, rather than shares."

HOUSING 'HEAD AND SHOULDERS' ABOVE OTHER ASSET CLASSES (RISK ADJUSTED)*

